

Message Text

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TAGS: EALR, BECP, EWWT, ETRN, ELTN, UK, FR, BEXP

SUBJECT: MAJOR PROJECT: CHANNEL TUNNEL PROJECT APPEARS
TO FACE IMMINENT CANCELLATION

REF: LONDON 15723, DECEMBER 2, 1974

1. INTRODUCTION

LATE FRIDAY, JANUARY 17, ACCORDING TO THE BRITISH PRESS, HMG'S ALLEGED DECISION TO CANCEL THE CHANNEL TUNNEL PROJECT 'LEAKED' OUT. IN RETURN, REPORTEDLY, THE "FRENCH CABINET" ON SATURDAY, JANUARY 18 URGED ANTHONY CROSSLAND, U.K. ENVIRONMENT SECRETARY, TO "RECONSIDER" THE "DECISION TO CANCEL THE CHANNEL TUNNEL PROJECT".

2. SUNDAY TIMES ANALYSIS OF ALLEGED DECISION:

THE SUNDAY TIMES REPORTS THAT THERE ARE THREE MAIN "ECONOMIC" ARGUMENTS (EACH WITH ITS OWN ANSWER) LEADING TO THE CANCELLATION DECISION.

A. "THE GOVERNMENT FACES A FINANCIAL CRISES". THE REBUTTAL, "THE TUNNEL ITSELF MAKES NO DIRECT CLAIM
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ON THE TAXPAYERS' MONEY EXCEPT IN CASE OF DEFAULT".

B. "COSTS ARE RISING RAPIDLY". THE REBUTTAL, "THIS IS THE EFFECT OF INFLATION. THE COMPANIES STILL CLAIM THAT IN REAL TERMS THE ESTIMATE OF 846 MILLION POUNDS AT JANUARY 1973 PRICES HOLDS GOOD".

C. "THE ENERGY CRISIS WILL AFFECT THE VOLUME OF TRAFFIC" THE REBUTTAL, "IN NOVEMBER THE BANKS SUPPORTING THE PROJECT CLAIMED THAT THEY WERE STILL SURE WITH THE ECONOMY BACK ON ITS FEET AND NORTH SEA OIL FLOWING THERE WILL BE ENOUGH BUSINESS BY OPENING DAY 1981."

3. REACTION TO HMG LEAK OF CANCELLATION PLANS: THE PRESS REACTION APPEARS TO BE, IN BALANCE, MODERATELY CRITICAL OF THE DECISION FOR SEVERAL REASONS. IT WAS UNTIMELY (TOO SOON); CONCERNED PARTIES WERE NOT INFORMED; AND MOST ARGUE THAT THE CHANNEL TUNNEL IS AND REMAINS A VIABLE PROJECT - THE BEST METHOD OVER THE LONG TERM FOR COPING WITH AND EXPANDING TRAVEL AND FREIGHT MOVEMENT FROM AND TO THE CONTINENT.

4. FORMAL CANCELLATION: FORMAL PUBLIC CANCELLATION OF THE PROJECT IS EXPECTED TODAY, JANUARY 20.

5. IMPACT ON ANGLO-FRENCH RELATIONS DESPITE THE HARSH WORDS BEING LEVELLED AGAINST BRITAIN BY THE FRENCH, THE SUNDAY TIMES REPORTS THAT THE FRENCH GOVERNMENT IS DIVIDED OVER THE REAL NEED FOR THE CHANNEL AND PRESIDENT GISCARD D'ESTAING IS SAID TO HAVE REGARDED THE COST AS EXCESSIVE IN THE PRESENT STATE OF THE ECONOMY.
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